

VZCZCXRO0354

PP RUEHAG RUEHDE RUEHKUK RUEHROV

DE RUEHLB #1997/01 3611545

ZNY CCCCC ZZH

P 271545Z DEC 07

FM AMEMBASSY BEIRUT

TO RUEHC/SECSTATE WASHDC PRIORITY 0590

INFO RUEHEE/ARAB LEAGUE COLLECTIVE

RUCNMEM/EU MEMBER STATES COLLECTIVE

RUEHNO/USMISSION USNATO 2061

RHMFISS/CDR USCENTCOM MACDILL AFB FL

RHEHNSC/NSC WASHDC

C O N F I D E N T I A L SECTION 01 OF 03 BEIRUT 001997

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NSC FOR ABRAMS/SINGH/GAVITO/YERGER

E.O. 12958: DECL: 11/21/2017

TAGS: [PINR](#) [KISL](#) [ECON](#) [EFIN](#) [PGOV](#) [LE](#)

SUBJECT: LEBANON: HIZBALLAH'S ECONOMIC AGENDA

Classified By: CDA William Grant for reasons 1.4 (b) and (d).

SUMMARY

¶11. (C) Embassy contacts argue that Hizballah has no economic program because its goals are predominantly military and political. The group has, however, over the past fifteen years been forced to respond to domestic policy issues; since it joined government two years ago it has been forced to comment on economic issues. According to our contacts, Hizballah does not want to issue an economic program it can be held responsible for. The group's sporadic economic statements variously stem from its religious, rhetorical, and practical strategies. While Hizballah has some economic advisors, all political and economic recommendations go through the politburo to ultimate decision maker Secretary General Hassan Nasrallah.

¶12. (C) Hizballah's failure to articulate an economic policy has not hurt its popularity, as it sets itself up as a critic of, or a "clean" alternative to the government. On a local level Hizballah rewards supporters and punishes opponents with the group's funds and parallel economy of employment and social services. Hizballah members of parliament have not made economic commitments they can be evaluated by, but its single minister (resigned 2006) is seen as having delivered on his promises. End summary.

NO HISTORY OF ECONOMIC GOALS

¶13. (C) Embassy contacts agree that Hizballah has no economic program because its goals are predominantly military and political, including resistance against Israel and retention of arms. Hizballah has never published an economic program, Mohamad Zbeeb, head of the economic section at pro-opposition Al-Akhbar newspaper and longtime journalistic observer of Hizballah, told us. Although the group in spring 2007 said it might publish a program, to date neither Hizballah nor the Consultative Center for Studies (Al-Markaz Al-Istishari Lil-Darassat, referred to as the Center), which our contacts consider a think-tank for the group, has published even a draft platform.

¶14. (C) Independent Shia economist and advisor to the Amal party leader and Parliament Speaker Nabih Berri Dr. Ghazi Wazni told us that economics is a low priority, coming after security, politics, and social issues, for both Hizballah and Amal. MP Yassin Jaber, an Amal ally, agreed that Hizballah has no declared policy, and responds to economic issues on an ad hoc, day-to-day basis.

15. (C) All three contacts agreed, however, that over the last fifteen years Hizballah has been forced to respond to domestic policy issues, and since joining the government in 2005 has been forced to comment on economic issues.

Hizballah MPs for the last decade have had to deal with domestic issues as they arise, Jaber explained. Until 2005 Hizballah had no domestic agenda, Zbeeb agreed, and allowed the Amal Movement to represent all Shia interests in government, as well as to benefit from confessional employment and contract kickbacks, while Hizballah focused on resistance.

16. (C) Zbeeb took the argument even further; since the 1990 Taif Agreement ended the civil war, Hizballah (cooperating with Syria) left economic matters to the Sunni Prime Minister while it focused on foreign policy. Zbeeb believes that changed with the Syrian withdrawal in 2005. While Hizballah became more involved in government, it had no experience in preparing an economic program or dealing with economic issues. Wazni noted that of all the opposition parties, only the Free Patriotic Movement (FPM) of Michel Aoun has a clearly articulated economic vision; other parties only react to government policies.

AVOIDS TAKING ECONOMIC INITIATIVES

17. (C) Hizballah does not want to issue an economic program it can be held responsible for, Zbeeb argues. The financial and economic file has become a difficult and burdensome one, according to Zbeeb, because prior policies led to the overwhelming national debt, currently estimated at 180 percent of GDP. Lebanon cannot face that burden alone and

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needs foreign assistance from donors, which Hizballah and other opposition parties do not have access to, so they prefer to leave responsibility for the economy to those with the political outreach to get assistance. If Hizballah took responsibility and could not get aid, it would not be able to implement new programs, would be held responsible for depreciation of the pound, and for a social deterioration that its alternative social system could not handle. Wazni added that the group does not see itself as a part of or a partner to the GOL, and has allowed the Amal party to represent its interests in government. The party is also afraid that it might be blamed if it took action and the economic situation got worse, Zbeeb explained.

THREE-TIER ECONOMIC THINKING

18. (C) Zbeeb described Hizballah's economic thinking as motivated by three levels: religious, rhetorical, and practical. First, on a religious level, the group is influenced by Islamic law, but does not see this as the basis for a state. Wazni noted that an Islamic party is not compatible with all liberal economic ideas, and explained that he was recently censored on a Hizballah-affiliated radio show in which he was not allowed to use the word "speculation." On an individual business level Hizballah members' businesses in various communities conform to social norms, Jaber emphasized. While there is pressure to follow Islamic Law where possible, e.g. by not trading in alcohol, or using interest in financial dealings, Hizballah members' businesses engage in construction, trade, and tourism in Lebanon and overseas, indicating the party tolerates free enterprise and trade.

19. (C) Second, the party's economic rhetoric, Zbeeb continued, since 1990 has focused on criticizing a government focused on reconstruction and development. Hizballah accused former Prime Minister Rafiq Hariri of developing the country to integrate Lebanon into a "new Middle East," economically tied to Israel. Similarly, over the past year Hizballah has

criticized the GOL's reconstruction process and the planned privatization of mobile telecom providers as susceptible to corruption.

¶10. (C) Third, despite its strong rhetoric, Hizballah in practice has rarely taken action to either stop a GOL economic policy or propose a new policy to meet Hizballah constituents' needs. Instead, Zbeeb noted, the group has taken action only on the most politically sensitive issues. Since 1992, Hizballah MPs have not blocked GOL projects unless they were politically sensitive and have never objected to budgets. While Hizballah continues to criticize GOL privatization plans, resigned (Hizballah) Minister of Energy and Water Mohammed Fneish's power reform plan included privatization and was adopted by the GOL.

¶11. (C) While Hizballah frequently criticizes the GOL for failing to raise the minimum wage or address a rising cost of living, pro-Hizballah resigned Minister of Labor Trad Hamadeh took no action to raise the minimum wage and actually undermined pro-Hizballah labor groups by approving new labor unions, according to Zbeeb. The group criticized proposed tax increases, Wazni agreed, but did not vote against those increases. The party did, however, act to block economic development that might have facilitated an economic relationship with Israel, including a proposed north-south railroad.

ECONOMIC/SOCIAL STRUCTURE
SUPPORTS POLITICAL GOALS

¶12. (C) Our contacts all noted that Hizballah has set up a social services and employment network to support its primary focus, the resistance. Wazni emphasized that this parallel economy insulates the group, reducing the need for political or economic participation. Zbeeb estimates that Hizballah transfers about \$600 million in payments and services to supportive Shia, Sunnis, and Christians not receiving those services from the GOL. Wazni estimates that 300,000 Lebanese live on \$2.50 per day or less, providing fertile ground for Hizballah's strategy of buying political support.

¶13. (C) People already feel that they owe their loyalty to those who liberated south Lebanon from Israeli occupation, Jaber explained, and the redistribution of these funds is a very effective way to solidify popular support for Hizballah.

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Hizballah supporters give a "khams" or 20 percent (one-fifth) tax in addition to the zakat or 2.5 percent tax, to the religious leader of their choice, both Zbeeb and Jaber explained. Whether calculated as an annual percentage of income earned or a once-in-a-lifetime bequest of assets accumulated, khams from Lebanese citizens and the diaspora, in addition to Iranian funding leaves various religious leaders, including Hizballah Secretary General Hassan Nasrallah and lesser Hizballah religious officials, with considerable wealth to redistribute.

¶14. (C) In addition to the pre-existing employment and social services network, Hizballah won popularity by beating the GOL in tracking destruction and compensating homeowners after the July 2006 war with Israel. The group sent out young men with laptops to track destroyed homes and their owners, our contacts report, and made quick cash payments to help supporters rent temporary apartments and replace furnishings. In contrast, nearly a year and a half after the conflict, the GOL is still struggling to pay compensation and is perceived as not protecting or caring for its citizens.

POLITICAL DECISIONMAKERS
CONSULT ECONOMIC ADVISORS

¶15. (C) Hizballah's ultimate decision-maker on all issues is Secretary General Hassan Nasrallah, Zbeeb and Wazni told us;

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the politburo passes all political and economic suggestions to him. The politburo and other key figures may in turn be informed by scholars at the Center, Zbeeb went on. When Hizballah needs a position on an economic topic it goes to the Center, Al-Akhbar newspaper, or independent economists able to provide advice or answer specific questions, according to Wazni, who has at times been consulted by the group. Dr. Ali Fayyad is the head of the Center, Jaber told us, but not all scholars there are Hizballah members and Hizballah draws from advisors from outside the Center when it sees fit. The Center comes up with ideas, such as how to improve rural development, but does not have a strong influence on Hizballah, according to Zbeeb.

FUDGING THE ECONOMIC ISSUES

¶16. (C) Hizballah's failure to articulate an economic policy has not hurt its popularity, as its supporters have not expected much from the group on this issue. However, Zbeeb as a citizen, holds Hizballah responsible, like other parties, for not having an economic program and not encouraging discussion about essential economic issues, such as improving services and reducing corruption. Most Hizballah members have focused on maintaining a "clean" reputation as an alternative to predominant government corruption.

¶17. (C) Jaber emphasized that Hizballah has convinced Lebanese it is free of corruption, although he cited the example of MP Amer Moussawi, who was forced to leave his post when he was found to be corrupt. Hizballah has also convinced Lebanese that it is running the municipalities effectively when it has accomplished nothing there and has given their funds away to politically connected groups and individuals, Jaber added. They have also focused on criticizing government mismanagement of key issues such as the debt, post July 2006 war reconstruction, and alleged neglect of the Shia south.

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